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INTRODUCTION

The Office of Internal Audit performed an audit of Van Buren County FIA for the period October 1, 1997 through March 31, 1998. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Van Buren County FIA had 107 full time equated positions (FTE's) at the time of our review. Van Buren County FIA provided assistance to an average 7,437 recipients per month during FY 1998, with total assistance payments of \$9,819,728 during that year.

SCOPE

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Van Buren County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS
Cash Disbursements	Cash Receipts
General Ledger	Accounts Receivable
Safe & Controlled Documents	IRS Information Security
Food Stamp Mail Issuance	Modified Accrual Balance Sheet
Medical Transportation	ENP/SER Program

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Van Buren County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization, except for the two areas of noncompliance noted below. Both of these findings could have a material effect on the Van Buren County FIA's system of internal controls.

LOCAL OFFICE RESPONSE

The management of VanBuren County FIA has reviewed the findings and recommendations included in this report. They indicated in a memorandum dated October 5, 1999 that they are in general agreement with the report and have implemented corrective action for both items.

FINDINGS AND RECOMMENDATIONS - COMPLIANCE

The following are areas where we found that the Van Buren County FIA was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

MA-010 Reconciliation

1. Van Buren County FIA did not reconcile flagged transactions on the Transaction Control Listing (MA-010) to the input documents, as required by the Local Office Reports Description Manual. Reconciliation of the flagged accounts helps to ensure that transactions were properly authorized and correctly entered on the Client Information System (CIS).

WE RECOMMEND that Van Buren County FIA reconcile the flagged transactions on the MA-010 to the input documents.

Mail Log

2. Van Buren County FIA did not record all negotiables received through the mail on a mail log as required by Accounting Manual Item 431. We noted three Official Cashier's Receipts (FIA-3681) for which there was not a corresponding entry on a mail log. Timely and accurate recording of information is necessary to help prevent or detect loss of funds received in the mail.

WE RECOMMEND that Van Buren County FIA reconcile negotiables received in the mail to the mail log.